

John Bean Technologies (JBT)

\$119.09 (As of 02/05/20)

Price Target (6-12 Months): **\$126.00**

Long Term: 6-12 Months

Zacks Recommendation:
Neutral

(Since: 10/10/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

4-Sell

Zacks Style Scores:

VGM:D

Value: D

Growth: C

Momentum: C

Summary

John Bean Technologies expects earnings per share for 2019 in the range of \$4.80 to \$4.90. The mid-point of the guidance reflects year-over-year growth of 13%. The company anticipates organic growth of 2-3%. For 2019, adjusted EBITDA is anticipated at \$290-\$300 million. Lower order rates in the FoodTech segment, thanks to the current general economic and trade uncertainties on customers, remain a headwind. Input cost inflation and higher interest expenses will also thwart near-term margins. Nevertheless, the company will gain on strategic acquisitions and, investing in innovative products. Its ongoing restructuring plan will help improve effectiveness and productivity across all business units. Increased automation adoption among customers and growing demand for protein, beverages and ready-to-eat meals are likely to be major drivers.

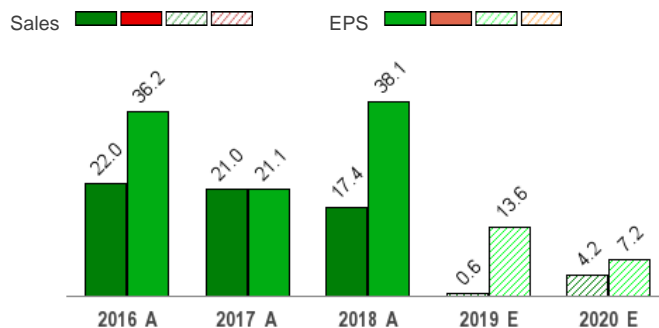
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$127.97 - \$77.16
20 Day Average Volume (sh)	114,684
Market Cap	\$3.8 B
YTD Price Change	5.7%
Beta	1.45
Dividend / Div Yld	\$0.40 / 0.3%
Industry	<u>Manufacturing - Thermal Products</u>
Zacks Industry Rank	Top 44% (112 out of 255)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	18.5%
Last Sales Surprise	-3.6%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/24/2020
Earnings ESP	0.0%
P/E TTM	23.3
P/E F1	22.9
PEG F1	3.1
P/S TTM	2.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	445 E	512 E	514 E	563 E	2,012 E
2019	418 A	493 A	489 A	530 E	1,931 E
2018	409 A	491 A	482 A	537 A	1,920 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$0.86 E	\$1.32 E	\$1.35 E	\$1.73 E	\$5.21 E
2019	\$0.77 A	\$1.42 A	\$1.28 A	\$1.39 E	\$4.86 E
2018	\$0.34 A	\$1.24 A	\$1.06 A	\$1.65 A	\$4.28 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/05/2020. The reports text is as of 02/06/2020.

Overview

John Bean Technologies Corporation is a technology solutions provider to high-value segments of the food and beverage industry globally with a focus on proteins, liquid foods and automated system solutions. The company also supplies customized solutions and services in the air transportation industry.

Its reportable segments are:

JBT FoodTech (71% of revenues in 2018) —The segment designs, manufactures and services technologically sophisticated food processing systems for the preparation of meat, seafood and poultry products, ready-to-eat meals, shelf stable packaged foods, bakery products, juice and dairy products, and fruit and vegetable products.

The segment's protein technology offerings include chilling, mixing/grinding, injecting, marinating, tumbling, portioning, packaging, coating, frying, freezing, weighing, X-ray food inspection, and packaging systems for poultry, beef, pork and seafood, ready-to-eat meals, fruits, vegetables, dairy, and bakery products.

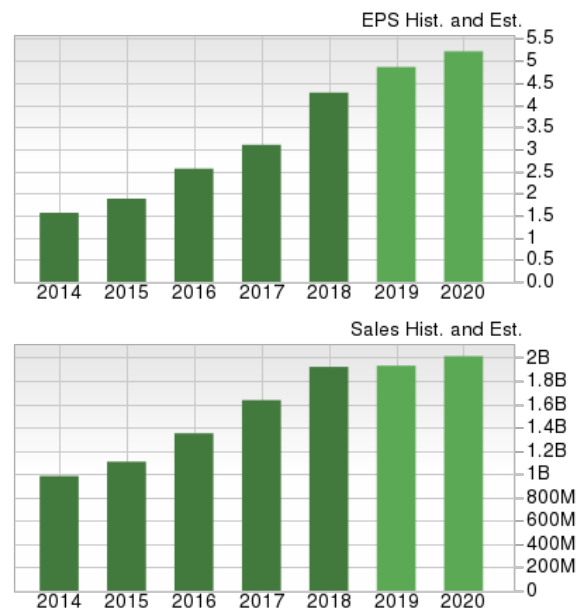
The liquid foods portfolio comprises fruit and juice solutions that extract, concentrate and aseptically process citrus, tomato and other fruits, vegetables, and juices. It also includes in-container solutions for the filling, closing and preservation of fruits, vegetables, soups, sauces, dairy, pet food products and ready-to-eat meals.

The segment also provides robotic automated guided vehicle systems for material movement in manufacturing and warehouse facilities.

The company also provides aftermarket products, parts, and services for all of its integrated food processing systems and equipment.

JBT AeroTech (29% of revenues in 2018) designs, manufactures and services technologically sophisticated airport ground support and gate equipment. It also provides services for airport authorities; airlines, airfreight, and ground handling companies and defense contractors.

From 2018 to date, the company acquired five businesses — Proseal UK Limited, Columbus, OH-based Prime Equipment Group, Netherlands-based FTNON, Germany-based Schröder, and Oregon-based LEKTRO, Inc.



Reasons To Buy:

- ▲ The company's EPS guidance for 2019 is at \$4.80-\$4.90. Compared with earnings per share of \$4.28 in 2018, the mid-point of the guidance range reflects growth of 13%. The company continues to expect organic growth of 2-3%. Acquisitions are now anticipated to contribute around 7% to growth. For the FoodTech segment, the company guides full-year adjusted EBITDA margins of 19% to 20%, up more than 300 basis points from 2018. At AeroTech, the company anticipates adjusted EBITDA margins of 13-14%, up 150 basis points from 2018. For 2019, adjusted EBITDA is envisioned at \$290-\$300 million.
- ▲ John Bean Technologies' Elevate plan is likely to drive persistent growth and margin expansion. Per the plan, the company is focusing on accelerating development of innovative products and services to provide customers with solutions, which will enhance their yield and productivity. The company is capitalizing on its extensive installed base to expand recurring revenue (which accounts for around 40% of its revenues) from aftermarket parts and services, equipment leases, consumables and airport services. This portion of the business has been seeing a CAGR of 9% over the past three years. In fact, it has further room for growth and will contribute to margins. John Bean Technologies is enhancing organic growth through initiatives that enable it to sell the entire FoodTech portfolio globally, including improving international sales and support infrastructure, localizing targeted products for emerging markets, and strategic cross selling of products. In AeroTech, John Bean Technologies plans to continue developing advanced military product offerings and customer support capabilities to service global military customers.
- ▲ John Bean Technologies has a strategic acquisition program focused on companies that add complementary products, which enable it to offer more comprehensive solutions to customers, and meet strict economic criteria for returns and synergies. In sync with this, it completed the acquisitions of Proseal UK Limited, a leading provider of tray sealing technology, and Prime Equipment Group, Inc., a manufacturer of turnkey primary and water re-use solutions to the poultry industry. In fact, tray sealing is in sync with the needs of several John Bean Technologies' FoodTech customers, particularly in the rapidly expanding market for convenience foods. The acquisition of Prime advances the company's goal of becoming the preferred provider of full-line solutions for poultry customers. The acquisitions together, are expected to add revenues of \$80-85 million and \$140-150 million in 2019 and 2020, respectively.
- ▲ The company's ongoing restructuring plan will help improve effectiveness and productivity in all business units. In the second quarter of 2019, the company generated savings of more than 8 million, higher than its targeted \$5 million. For 2019, the company expects to generate year-over-year savings of \$26 million. The company anticipates generating \$13.2 million of savings in the balance of 2019 and \$22 million in 2020. The company is on track to achieve its total program savings target of \$55 million.
- ▲ John Bean Technologies is poised to perform well in the long run courtesy of growing middle class, increasing protein and value-added food and beverage consumption globally. Rising global population and disposable incomes has led to a shift in dietary habits, primarily increased protein consumption. This is pronounced in emerging markets - Asia, the Middle East, Latin America, and Eastern Europe. This trend is likely to favor the company. Food consumption in Asia is expected to be the biggest contributor to growth. In developed markets, ready-to-eat and convenient food consumption will be a key catalyst. Additionally, consumers are moving away from traditional sodas and other beverages to fresh juice.
- ▲ AeroTech will continue to perform well due to heavy airport infrastructure spending. With air travel projected to double over the next 20 years, the company can capitalize on this demand. Also, labor constraints are leading to increased automation adoption among its customers. Food manufacturing, particularly, has 30% lower compensation rates and harsher work environment compared to traditional manufacturing. This in turn will boost the company's revenues.

John Bean Technologies is likely to benefit from acquisitions, focus on developing innovative products and services, favorable industry trends in both the segments and growing aftermarket business.

Reasons To Sell:

- ▼ In the nine-month period ended Sep 30, 2019, order rates declined 6% from the prior-year quarter in the FoodTech segment. Backlog at the end of the quarter was \$377 million, down 8% year over year. At FoodTech segment, current general economic and trade uncertainties have impacted the decision-making process among customers.
- ▼ Given that Europe accounts for about 20% of John Bean Technologies' sales, the uncertainty regarding Brexit will weigh on results.
- ▼ The company's international sales accounted for 45% of 2018 revenues. Foreign exchange translation is anticipated to have an impact of 2-3% in 2019.
- ▼ The imposition of tariffs on imports from China has led to input cost inflation, which will continue to put pressure on the company's margins. Further, John Bean Technologies projects interest expense for 2019 in the range of \$21-\$22 million, up from \$13.9 million in 2018. This reflects the impact of incremental acquisition related debt and will impact earnings.
- ▼ The citrus industries in Florida, Brazil, and other countries have been facing increased pressure on their harvest productivity and citrus bearing acreage owing to citrus canker and greening diseases. Reduced amounts of available fruit for the processed or fresh food markets could adversely affect the FoodTech segment's results.

Foreign exchange headwind, input cost inflation and lower order rates thanks to current general economic and trade uncertainties remain primary concerns.

Last Earnings Report

John Bean Technologies Q3 Earnings Beat Estimates

John Bean Technologies Corporation reported adjusted earnings of \$1.28 per share in third-quarter 2019 surpassing the Zacks Consensus Estimate of \$1.08 and improved 14% from prior-year quarter figure of \$1.12. Further, the figure was higher than management's guidance of \$1.05-\$1.10. The improved performance can primarily be attributed to savings stemming from the restructuring program and implementation of the JBT operating system and higher percentage of revenues from aftermarket business.

On a reported basis, the company's earnings per share of \$1.04 reflects an improvement of 27% from the year-ago figure of 82 cents.

The company's revenues of \$489 million in the reported quarter fell short of the Zacks Consensus Estimate of \$505 million. However, the top line improved 1.6% year over year. Acquisition growth of 10% helped offset a drop of 3% in organic sales, an unfavorable impact of foreign exchange of 2% and a decline of 4% thanks to the absence of the ASC 606 transition benefit recorded in third-quarter 2018.

Orders in the JBT FoodTech segment remained flat year over year at \$283 million in the reported quarter. Orders in the JBT AeroTech segment were at \$180 million, reflecting a year-over-year growth of 9%. Backlog in the FoodTech segment was down 8% in the reported quarter while the AeroTech segment saw a rise of 8%. At FoodTech, commercial activity has not converted to orders as quickly as last year owing to economic and trade uncertainty. However, market conditions for AeroTech remain solid.

Cost and Margins

Cost of sales dropped 1.4% year over year to \$342 million in the reported quarter. Gross profit improved 9% year over year to \$148 million. Gross margin expanded 220 basis points to 30.2%.

Selling, general and administrative expenses improved 12% year over year to \$98 million. Adjusted operating profit climbed 4% year over year to \$50 million. Adjusted operating margin expanded 20 bps year over year to 10.2% in the reported quarter. In the reported quarter, adjusted EBITDA came in at \$75.8 million, up 15.4% year over year. The improvement in margins were driven by continued operational improvements as a result of the company's restructuring program, implementation of the JBT operating system and a higher share of revenue from aftermarket business.

Segment Performance

JBT FoodTech: Net sales inched up 0.5% year over year to \$334 million. Adjusted operating profit increased 15% from the prior-year quarter to \$50 million.

JBT AeroTech: Net sales improved 4% year over year to \$155 million. The segment reported adjusted operating profit of \$22 million, up 25% year over year.

Financial Performance

John Bean Technologies reported cash and cash equivalents of \$49 million as of Sep 30, 2019, up from \$43 million as of Dec 31, 2018. The company generated \$35 million of cash from operating activities during the nine-month period ended Sep 30, 2019 compared with \$27 million reported in the prior-year comparable period. At the end of the third quarter of 2019, long-term debt was approximately \$769 million, up from \$387 million as of Dec 31, 2018.

Guidance

The company has narrowed earnings guidance for 2019 as it expects better-than-expected margin gains will be offset by softer FoodTech revenue. EPS is now expected between \$4.80 and \$4.90 for the year, down from the prior guidance of \$4.70-\$4.90. Compared with EPS of \$4.28 in 2018, the mid-point of the guidance range reflects year-over-year growth of 13%.

The company anticipates organic growth of 2-3%, lower than prior guidance of 4-5%. While acquisitions are expected to contribute growth of around 7% to revenues, foreign exchange translation is anticipated to be a 2-3% headwind. Reported revenues are expected to be flat to up 1% year over year.

Quarter Ending **09/2019**

Report Date	Oct 28, 2019
Sales Surprise	-3.55%
EPS Surprise	18.52%
Quarterly EPS	1.28
Annual EPS (TTM)	5.12

Valuation

John Bean Technologies' shares are up 46.5% in the trailing 12-month period. Stocks in the Zacks Manufacturing – Thermal Products industry and the Zacks Industrial Products sector are up 30.1% and 12.8% over the past year, respectively.

The S&P 500 index has gained 22.1% in the past year.

The stock is currently trading at 22.68X forward 12-month earnings, which compares with 17.74X for the Zacks sub-industry, 18.42X for the Zacks sector and 19.09X for the S&P 500 index.

Over the past five years, the stock has traded as high as 36.18X and as low as 15.67X, with a 5-year median of 23.64X.

Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$126 price target reflects 24.00X Forward 12-month earnings.

The table below shows summary valuation data for JBT:

Valuation Multiples - JBT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	22.68	17.74	18.42	19.09
	5-Year High	36.18	18.17	19.91	19.34
	5-Year Low	15.67	11.11	12.6	15.18
	5-Year Median	23.64	16.28	16.58	17.46
P/S F12M	Current	1.87	3.4	2.78	3.58
	5-Year High	2.19	3.45	2.78	3.63
	5-Year Low	0.85	1.13	1.51	2.48
	5-Year Median	1.58	2.28	1.98	3.16
EV/EBITDA TTM	Current	15.32	20.23	16.45	11.95
	5-Year High	23.3	21.46	17.44	12.85
	5-Year Low	10.55	10.14	10.98	8.49
	5-Year Median	15.83	13.32	14.74	10.66

As of 02/05/2020

Industry Analysis Zacks Industry Rank: Top 44% (112 out of 255)



Top Peers

Bunge Limited (BG)	Outperform
Dover Corporation (DOV)	Neutral
Honeywell International Inc. (HON)	Neutral
Illinois Tool Works Inc. (ITW)	Neutral
The Middleby Corporation (MIDD)	Neutral
Pentair plc (PNR)	Neutral
ThyssenKrupp AG Sponsored ADR (TKAMY)	Neutral
Textron Inc. (TXT)	Underperform

Industry Comparison Industry: Manufacturing - Thermal Products				Industry Peers		
	JBT Neutral	X Industry	S&P 500	DOV Neutral	HON Neutral	MIDD Neutral
VGM Score	D	-	-	A	B	B
Market Cap	3.77 B	3.77 B	24.26 B	17.32 B	126.40 B	6.37 B
# of Analysts	5	6	13	8	10	4
Dividend Yield	0.34%	0.00%	1.75%	1.64%	2.04%	0.00%
Value Score	D	-	-	C	C	C
Cash/Price	0.01	0.01	0.04	0.02	0.08	0.01
EV/EBITDA	22.39	17.33	14.19	16.04	14.12	14.22
PEG Ratio	3.12	2.57	2.04	1.64	2.08	NA
Price/Book (P/B)	7.20	3.84	3.31	5.71	6.76	3.40
Price/Cash Flow (P/CF)	19.24	15.48	13.70	15.13	17.93	14.51
P/E (F1)	22.85	17.51	19.17	18.84	20.05	15.41
Price/Sales (P/S)	1.95	2.41	2.67	2.43	3.44	2.18
Earnings Yield	4.37%	5.71%	5.22%	5.31%	4.99%	6.49%
Debt/Equity	1.47	0.53	0.71	0.98	0.59	1.05
Cash Flow (\$/share)	6.19	2.89	6.92	7.88	9.86	7.82
Growth Score	C	-	-	A	B	C
Hist. EPS Growth (3-5 yrs)	28.53%	28.15%	10.80%	11.69%	8.56%	15.31%
Proj. EPS Growth (F1/F0)	7.28%	8.09%	7.35%	6.73%	8.15%	9.56%
Curr. Cash Flow Growth	29.97%	6.22%	10.12%	10.20%	-1.43%	4.22%
Hist. Cash Flow Growth (3-5 yrs)	25.68%	23.66%	8.55%	1.28%	5.69%	17.24%
Current Ratio	1.53	1.42	1.20	1.46	1.34	2.05
Debt/Capital	59.48%	34.50%	42.91%	49.61%	37.28%	51.31%
Net Margin	6.70%	11.55%	11.79%	9.50%	16.73%	11.55%
Return on Equity	33.52%	27.56%	17.21%	29.46%	32.21%	20.81%
Sales/Assets	1.14	0.84	0.54	0.82	0.62	0.61
Proj. Sales Growth (F1/F0)	4.22%	4.20%	4.15%	2.25%	2.13%	3.03%
Momentum Score	C	-	-	A	B	B
Daily Price Chg	2.64%	1.71%	1.40%	2.36%	0.96%	1.76%
1 Week Price Chg	0.01%	-5.41%	-2.60%	-2.78%	-2.21%	-1.76%
4 Week Price Chg	5.81%	0.07%	1.96%	2.43%	-0.48%	4.26%
12 Week Price Chg	13.34%	3.79%	6.04%	9.23%	-2.78%	-4.69%
52 Week Price Chg	43.03%	15.90%	16.68%	35.57%	18.81%	-8.02%
20 Day Average Volume	114,684	114,684	1,966,046	865,355	2,468,953	403,888
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.52%	0.28%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.56%	0.18%	-0.41%
(F1) EPS Est 12 week change	-0.78%	-0.02%	-0.08%	0.20%	0.18%	-3.00%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	11.00%	-0.56%	-0.31%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	D
Growth Score	C
Momentum Score	C
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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